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ABSTRACT

Part 1 identifies the far-reaching changes to higher education (HE) in Great Britain during the 1990s. It shows that HE has settled into a new status quo, with a market for new graduates in 2001-02. Findings indicate that around 37 percent of 18-year-olds take part in full-time, further, or higher education; the participation rate at age 19 is now roughly on a par with other European countries; participation in HE among nontraditional students has increased during the 1990s; student choice of universities close to home and consequent loss of some "social" benefits of HE in learning to live in a new environment and culture has increased; and the new graduate labor market may be a little less bullish. Part 2 focuses on graduates' early careers, ambitions, their progression relative to non-graduates, and retention patterns with first employers. Findings indicate career prospects are major motivators for those entering HE; job search starts early; first jobs vary greatly, with under 20 percent employed by blue chip employers and many competing for lower-level jobs; 3 years after graduation, over three-quarters are in jobs related to their occupational plan; up to 1 in 5 felt over-qualified for their job; graduates earn more and have more access to flexible work practices; organizations lose about 5 percent of their intake each year; and career progression is the factor that most encourages new graduates to stay in current jobs. (YLB)

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Report Summary

the Institute for Employment Studies □

The IES Annual Graduate Review, 2002 update

Part 1: Higher Education: the New Status Quo

Perryman S

IES Report 393

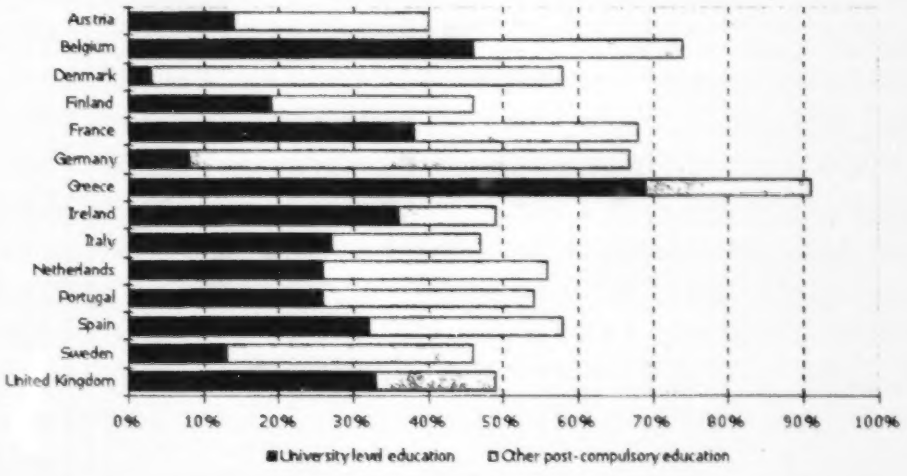
a study supported by the IES Research Networks

After a period of rapid and far-reaching changes in the provision, student funding and take-up of higher education, HE now appears to be entering a period of consolidation. This briefing presents a summary of the key facts, figures and trends affecting the supply of graduates. Part 2 considers new graduates' early careers.

New entrants to HE

The government's aim is for 50 per cent participation in higher education by the year 2010. Currently, around 37 per cent of 18 year olds take part in full-time further or higher education, the proportion having slipped fractionally since 1995. This participation rate at age 19 (Fig. 1) is now roughly on a par with other European countries. In total, 298,000 people were accepted onto full-time degree courses in 2001, up 5.8 per cent on the previous year.

Fig. 1 Participation in HE by 19 year olds in Europe, 1999



Source: IES/OECD Education at a Glance, 2001

Participation in HE among non-traditional students, eg by women and ethnic minority students increased throughout the '90s. These earlier successes have yet to be replicated in terms of the 'social' mix of HE participants. Turning the government's aspiration to increase participation in HE to fifty per cent into reality, under the current definition, will mean more success has to be achieved in opening up a higher education 'experience' of some kind to a wider range of people. This is particularly true for working class young people, who need to be convinced that staying on in secondary education is of value, and

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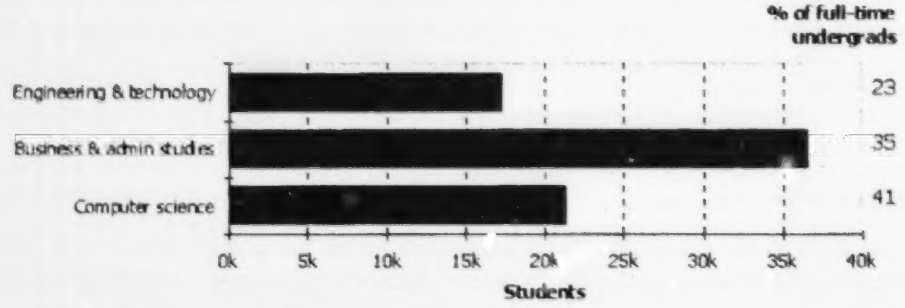
that subsequent investment in HE will be worthwhile. Importantly, the proportion of students from working class backgrounds remains stubbornly at ten per cent of entrants to full-time degree courses. Watson (2001) presented figures that show that around three out of four children from professional backgrounds entered HE in 1998/99, compared to one in eight from unskilled backgrounds. This gap widened throughout the early to mid-1990s, and has only narrowed since 1997 because the participation rate among professionals has tailed off. This challenge is also reflected in the fact that the proportion of UCAS entrants from different kinds of educational establishment accepting places has changed little over the past seven years, with only a small decrease in the proportion (but an increase in the numbers) of students from independent schools.

Undergraduates' experience of HE

A recent study by IES (Connor et al., 2001a) found that students from 'lower' social groups are also more likely to choose to study near their homes for cost reasons, and may lose out on some of the 'social' benefits of HE in learning to live in a new environment and culture. The curtailment of student mobility is one of a number of 1990s transformations in the student experience that have become established features of HE over the last few years. In 1994, the majority of students chose universities in a different region (58 per cent). By 2000, this had fallen to 52 per cent. There is a great deal of variation by region, some of which can be explained by the geographical distribution of universities. For example, the South East and Scotland are educationally more 'self-sufficient' than, for example, East Anglia, which has very few HEIs. However, this disinclination to move marks a fundamental change in the student experience of HE, with consequences for the development of a range of skills, above and beyond those taught as part of the degree course.

One of the main concerns of employers recruiting graduates is that they have a broad range of personal and life skills to complement the academic knowledge (Pearson, 2000). Nearly 120,000 full-time students (13.5 per cent) now have the opportunity to widen their skills through sandwich courses. The majority on sandwich courses are studying vocational subjects - typically business and administration, computer science, and engineering and technology (Fig. 2). These three subject areas account for two-thirds of all sandwich students.

Fig 2: Undergraduates on sandwich courses in key subjects, 2000



Source: IES/HESA 2001, Students in HEIs 1999/2000, Figures 2a and 7

In addition, over 30 per cent of non-sandwich students work while studying full time, providing around 361,000 students to participate in the labour market while studying. Working while studying is now a fact of life for current undergraduates, though

surprisingly, students from 'lower' social groups are no more likely to work during term time than other students (Connor et al. 2001a). The stability of this phenomenon is shown in that the majority of working students have permanent contracts and have been with the same employer for an average of ten months. This demonstrates both students' commitment and the significance of this form of financial support.

Working students are mainly employed in the service industries and sales and customer service occupations, jobs which can have great potential for the development of the critical inter-personal skills needed in today's workplace. A further benefit is that over half the UK's working students reported that their employer had provided job-related training in the previous three months.

It is now increasingly the case that for many new graduates, their first experience of moving a distance from their families and communities is when they take their first career job. This may mean that the choice of first job is not only a work challenge but also a social challenge of 'living away from home', perhaps translating into a retention problem for employers.

While there are many concerns that the 'new' system of student financial support is having a negative effect on those studying, this is yet to be shown in a marked decline in the UK's graduation rate. Currently, the proportion of students who fail to graduate is relatively low, with five out of six HE entrants completing their course (HEFCE, 2001). These graduation rates exceed those of leading industrial nations with some experiencing first year dropout rates in excess of 50 per cent. What is more, the majority of students who have been studying under the new funding regime are very satisfied with their choice of university and course (Connor et al. 2001b).

The pool of new graduates

Annual growth in the numbers of first degree graduates appears to be levelling off. In the UK there were over 265,000 first degrees awarded in 2001, much the same figure as in 2000 and 1999. In addition, 128,000 post-graduate degrees and 76,000 sub-degrees were awarded, a slight increase over previous years.

The subject mix continues to evolve. Over the last five years there has been a growth in the numbers of graduates obtaining degrees (on a part- or full-time basis) in the biological sciences, computing, business and administration, and the creative arts. By and large, the numbers qualifying in mathematics, languages and the humanities have remained level, (which is effectively a decrease in the share of all degrees). The bad news for recruiters of engineering and technology graduates is that the numbers qualifying in these subjects continues to fall, down by 13 per cent, from 23,000 in 1996 to 20,000 in 2000.

A calmer market?

Starting salaries and awards for new graduates in key graduate professions vary greatly, with those going into the Civil Service fast stream being offered £21,000, while those entering social work commanding £17,200. There is a particular disparity between the earnings of those who get 'graduate jobs', and those who do not, as shown in Fig. 3, reflecting the wide variety of new graduate opportunities.

Fig. 3: New graduate salaries, Spring 2001

Source: IES/LFS Spring 2001 Quarter

In the early 1990s, growth in graduate starting salaries among blue chip recruiters lagged behind average earnings. With the upswing in the economy in the mid-1990s, employers attracted new talent by offering increasingly generous salaries. However, over the last three years, new graduate starting salaries in blue-chip organisations have reverted to their long-term pattern, growing in line with national average earnings.

There are other hints that the new graduate labour market may now be less frenetic than in recent years. For example, over the last two or three years the new graduate unemployment rate six months after graduation has levelled at approximately six per cent, and has not fallen further.

Most recently, in the summer before the events of September 11, there was an overall decrease in the number of graduate vacancies of 5.5 per cent across this sample of blue-chip recruiters (Regan, 2001). Twice as many employers had cut back on graduate vacancies as had increased them, although the majority reported no change. One in five had deferred job offers. Since then, the number of vacancies in this part of the graduate labour market has continued to slip slightly (Barber and Regan, 2002).

Although the demand by the major recruiters may have stabilised or started falling somewhat, a wider demand for new graduate skills is evident in the quality of employment that graduates are entering. Permanent or long-term contracts are still the norm - around three-quarters of new graduates enter relatively secure work. Most new graduates are also recruited to 'graduate jobs' (managerial, professional or associate professional level) within six months of graduation. However, the good news for employers is that even by Christmas, approximately 46,000 new graduates were still seeking their first career job.

Among those not entering employment, one in five finds a place on another course of study, a proportion that we may expect to increase if the labour market for new graduates contracts significantly (Table 1).

Table 1: First destinations of first degree graduates, 2000

Total with known destinations 178,460 : 100%

Further study/research **36,270** : 20.3%

UK graduate jobs **77,360** : 43.4%

UK other occupations **36,110** : 20.2%

Overseas employment **3,530** : 2.0%

Other EU students leaving UK **1,120** : 0.6%

Known self-employment **2,480** : 1.4%

Unemployed **10,180** : 5.7%
Other seeking **1,000** : 0.6%
Not available **10,420** : 5.8%

Source: IES/HESA 2001, First Destinations of Students Leaving Higher Education Institutions 1999/2000, figures 1b and 1f

Looking ahead

The growth in participation in HE has slowed in recent years and, as a consequence, we may expect the numbers of graduates produced annually to also slow in the short term. Furthermore, the work environment for these new graduates looks as though it will be more uncertain, and competition for 'the best' less fierce. In 2001, we may have seen the first indications that the new graduate labour market was a little less bullish, though there is insufficient hard information to determine whether or not this is a hiatus, or the start of a decline; much depends upon the health of the economy in general. Evidence on graduate employment during the last recession suggests that any interruption that a downturn may cause to career paths, will be overcome in the medium term (Connor et al., 1997). However, given the small or declining numbers of graduates in key subjects like computing/IT or engineering and technology, some new graduates may find that their opportunities remain undiminished.

Part 2 of the IES Annual Graduate Review will examine graduates' destinations and career paths in more detail.

Key sources and references

The analysis, graphs and figures for this project are based on data published by HESA, UCAS, DfES, OECD, ONS (the Labour Force Survey and New Earnings Survey), CSU, as detailed in the IES Graduate Review 2000. Other key sources are:

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Members of the Resourcing and Organisation Research Network will find outlines, summaries and reviews of relevant reports and publications, by IES and other authors here

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Report Summary

The IES Annual Graduate Review, 2002 update

Part 2: Graduates' Early Careers

Perryman S
IES Report 393

a study supported by the IES Research Networks

Higher education tends to attract career oriented, ambitious people. However, not all find starting their graduate career easy. Once in employment, career development ranks higher than pay as a priority, and is a means by which employers can retain the best graduates. In the longer term, graduates continue to do better than non-graduates in the labour market in terms of earnings, training and lower unemployment.

Graduating for advantage

Part 1 of the IES Graduate Review 2002 identified the far-reaching changes to higher education during the 1990s and shows that higher education has settled into a new status quo, with a calmer market for new graduates in 2001/02. Part 2 now focuses on the early careers of graduates, their ambitions, their progression relative to non-graduates, and retention patterns with their first employers.

Early career focus

Career prospects are major motivators for those entering higher education, with those from lower social classes giving the most emphasis to earnings and the status of the job sought (Table 1).

Table 1: 'Very important' reasons for entering HE, by social class (per cent)

	I, II, IIIN	IIIM, IV, V
To gain a higher qualification for a specific job/career	74	75
Greater security in employment	62	62
Increase earning potential	58	65
Get a higher status job	57	63

Source: Connor et al. (2001a)

Job search starts early

Two-thirds of final year students have started their job search before Christmas, with those studying vocational subjects such as education, engineering and health, showing the greatest interest in job search. They are also the most likely to have received a job offer by the Christmas before graduation. While the 'milkround' continues to play an important part in the graduate/employer matching process, only one in three final year undergraduates had attended a presentation by an employer on or near campus before Christmas, with

non-traditional students and those at post -'92 institutions among the least likely to have done so (Connor et al., 2001b). Overall, only one-third of graduates had found a job before they graduated (NatWest, 2002).

Although the majority (over 60 per cent) of graduates enter employment at the first opportunity, sizeable and increasing numbers delay their entry to the labour market. One in five invest further in their education, and one in twenty go travelling, reducing the numbers available for immediate employment. In the sciences, in particular employers and higher education in the form of postgraduate study, are in intense competition for the best new graduates.

First jobs

At the start of their careers, new graduates are ambitious and optimistic, 68 per cent wish to progress to a management position, half aspire to managing customer relations, and one-third to financial management (CEL, 2002). They also prioritise getting on the career ladder above maximising salary or paying off student debt (CIPD, 2001).

In practice, first jobs vary greatly. Only a small minority (under 20 per cent) make the grade for the 'hi-flyer' graduate training schemes with blue chip employers, where intense competition means 40 or more applicants for each place (Barber and Regan, 2002). Others enter the many professions. However, many find themselves in competition with other job seekers in the wider labour market, with many in low level occupations, often in retail, hotels and restaurants.

Traditional 'graduate jobs' and higher than average wages tend to go to those with earlier success such as high 'A' level scores and higher degree classes, with men also earning more than women (CEL, 2001, Elias et al., 1999). While expectations are for an average of £20,800, this is achieved by only a small minority. The average even among blue chip recruiters is only £19,000 (Barber and Regan, 2002), while many more earn under £13,000 a year. Indeed, a degree may not prove any advantage in lower-level jobs, where graduates and non-graduates earn similar sums (Dolton and Silles, 2001).

Second jobs and beyond

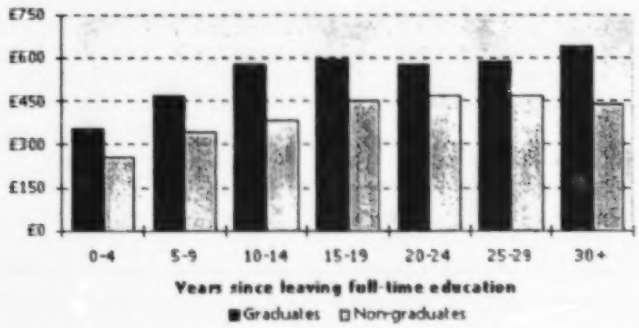
Three years after graduation, over three-quarters of graduates were in jobs related to their career plan and had jobs providing challenging and varied work, and continual skills development (CEL, 2001). Up to one in five, however, felt over-qualified for their job. Indeed those who were unemployed six months after graduating were less likely to get a graduate job, earned less, and were unemployed for longer (on average, 13 months), in the three and a half years after graduation (Elias, 1999). Their opportunities to upgrade the content of their current jobs may be limited (Mason, 2001) and there is mixed evidence about the persistence of early career disadvantage. For many, initial under-employment appears to be a transitional stage and many do move into more appropriate jobs. However, the 'opportunity costs' to early under-employment (delayed pay progression and missed training opportunities) can be hard ground to make up (Dolton and Silles, 2001). In contrast, those employed six months after graduating spent less than one month unemployed in their early careers (Elias et al., 1999).

As with first jobs, earlier success in 'A' level and degree studies have consistently been found to open the doors to higher earnings and career opportunities, along with gender. Age, subject and institution are also influential, (Perryman and Pearson, 2001; Elias et al., 1999; CEL, 2001; Chevalier, 2001), as is being sponsored through university (CEL, 2001). Although the sums involved in sponsorship are low, averaging £88 a week (Barber and

Regan, 2002), the value of sponsorship lies in the work experience and access to a career positions, and allows employers to screen potential applicants.

For the majority of graduates, a degree can be seen as a passport to high level employment. Graduates are far more likely than people without degrees to find their way into managerial, professional or associate professional occupations. Not only are graduate salaries higher than those earned by non-graduates with the same number of years in the labour market, but graduate salary progression is also faster throughout their early and mid-careers (Fig. 1).

Fig. 1: Gross weekly pay in higher level occupations



Source: IES/LFS Spring 2001

Even when graduates in higher level occupations are compared with non-graduates doing similar work, graduates earn more. Over the first three years, graduates typically increase their earnings by 54 per cent (CEL, 2001). For those fortunate enough to enter graduate training with a blue chip employer, salary growth of over 60 per cent in five years is typical, with many salaries in sectors such as financial and legal doubling (Barber and Regan, 2002).

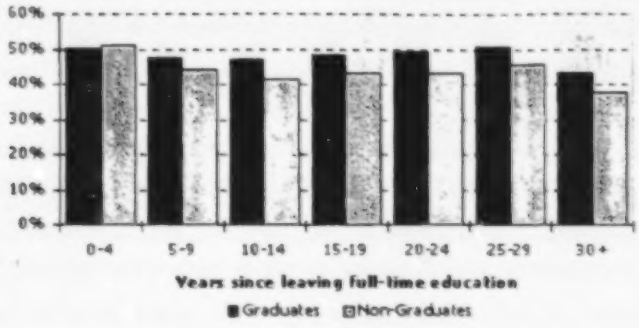
Graduates also have more access to flexible work practices than do non-graduates, especially earlier in their careers. Graduates in higher level occupations, however, tend to work longer hours than their non-graduate colleagues, especially at the midpoint of their careers, and they are more likely to work very long hours, ie 48 hours or more each week.

Investing in skills

On graduating, students rate their ability to learn and to work independently, along with their written communication skills, as their highest competencies. After three years in employment they find they utilise their skills in working under pressure, oral communications and attention to detail most, but face the biggest skills gaps in negotiating skills and taking responsibility (Brennan et al., 1999).

However, not all participate in training in the early years of their career. Typically, around four in ten receive technical skills development and/or business and personal skills training. Only one-quarter pursue a professional qualification (CEL, 2001). Graduates in higher level occupations are, however, more likely to receive training than their non-graduate peers throughout their careers (Fig. 2).

Fig. 2: Percentage having education or training in last 3 months in higher level occupations



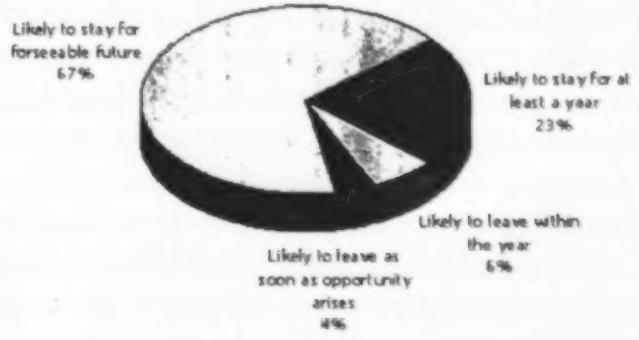
Source: IES/LFS Spring 2001

What is more, graduates who take part in training earn more (typically £22,000 a year against £18,000), report higher job satisfaction, and are happier with their career progress than graduates who do not participate in training. For employers, training is a critical tool in retention strategies, intention to quit is lower among graduates receiving training (CEL, 2002).

Keeping 'the best'

The majority of employers are confident of their ability to retain their most recent intake of new graduates (Fig. 3), and one year after graduating, around 80 per cent of graduates are still in their first job and around 85 per cent of new graduates remain with their first employer for at least three years (Tyers et al., forthcoming).

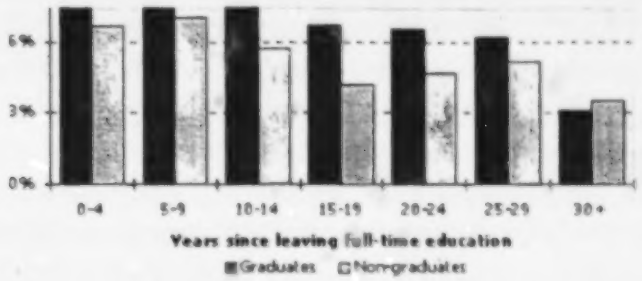
Fig. 3: Employer expectations of their most recent intake of new graduates


Likely to stay for foreseeable future 67%
Likely to stay for at least a year 23%
Likely to leave within the year 6%
Likely to leave as soon as opportunity arises 4%

Source: IES/LFS Spring 2001

Graduates appear to be more ambitious than avaricious in the early stages of their careers, employers report that more recruits leave because they are unhappy with some aspect their choice of career or employer, than cite pay issues (Tyers et al., forthcoming). At any one time, around seven per cent of graduates in higher level occupations are looking to change job, a slightly higher proportion than among non-graduate employees in the same jobs (Fig. 4).

Fig. 4: Percentage looking for a different job in higher level occupations



Source: IES/LFS Spring 2001

On average, organisations lose approximately five per cent of their intake each year. This shake-out appears to be even, ie there does not appear to be an early crisis point. In the early years, there are variations by industry however, with computing and IT performing better than average, and sales and hospitality losing a greater proportion of their intakes (Tyers et al., forthcoming). However, over five years, retention rates appear similar at around 50-55 per cent (Barber and Regan, 2002).

Career progression is the factor which most encourages new graduates to stay in their current job (40 per cent), followed by salary (18 per cent) and job satisfaction (16 per cent). In fact, three in four new graduates state that in changing jobs, they would be willing trade income for better career prospects (CIPD, 2001).

Finally, although much has been written about problems with graduate retention, graduates in higher level occupations are longer serving than non-graduates doing similar jobs at equivalent stages in their careers. Taken together, this suggests that employers who provide career development opportunities to which graduates aspire, will be rewarded with loyal service.

Key sources and references

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